

## Message Text

PAGE 01 STATE 090897

43

ORIGIN STR-08

INFO OCT-01 EUR-25 IO-12 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-02 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02

SS-15 TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 /177 R

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EUR: GSSPRINGSTEEN

S/ S- MR. BARNES

EUR/ RPE: AKATZ

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

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PAGE 02 STATE 090897

E. O. 11652

TAGS: ETRD: EC: US

SUBJECT: EC NEGOTIATING MANDATE

REFS: A) STATE 69893

B) STATE 69228

1. AS NOTED IN REF B SOME ELEMENTS OF THE COMMISSION PROPOSALS FOR AN EC NEGOTIATING MANDATE

REPRESENT A GOOD START TOWARD A FAVORABLE US- EC DIALOGUE ON TRADE NEGOTIATIONS. HOWEVER, OTHER ELEMENTS OF THE DRAFT PROPOSALS ARE TROUBLESOME, AND MAY EVEN CREATE DIFFICULTIES FOR US IN THE US LEGISLATIVE DISCUSSIONS IN COMING MONTHS. THEREFORE, WHERE POSTS BELIEVE IT WOULD BE USEFUL TO DO SO, WE SHOULD ENCOURAGE FURTHER REVIEW AND AMENDMENT OF THE PROPOSALS ON SOME POINTS, BUT AT THE SAME TIME NOT REPEAT NOT ATTACK THEM DIRECTLY OR GENERALLY. FOLLOWING POINTS ON SOME KEY ISSUES OR QUESTIONS WHICH TROUBLE US SUPPLEMENT POINTS CONTAINED IN REF B.

A. THE COMMUNITY HAS POSTULATED THE FIRST OBJECTIVE AS LIBERALIZATION OF TRADE " ON THE BASIS OF RECIPROCITY AND MUTUAL ADVANTAGE." THIS REFLECTS THE LANGUAGE OF THE DECEMBER 1971 EC STATEMENT. HOWEVER THE JOINT

US/ EC DECLARATION OF FEBRUARY 1972, WHICH WAS A CONSEQUENCE OF THE SMITHSONIAN AGREEMENT CONTAINED LANGUAGE WHICH WE BELIEVED IMPORTANT, AND TO WHICH THE COMMUNITY FINALLY AGREED. THE LANGUAGE WAS " ON THE BASIS OF MUTUAL ADVANTAGE AND MUTUAL COMMITMENT WITH OVERALL RECIPROCITY." THIS SHIFTS THE EMPHASIS AWAY FROM NARROWLY DEFINED RECIPROCITY BY SECTOR TO A BROADER CONCEPT OF OVERALL BALANCE, AND MUTUAL COMMITMENTS WHICH WOULD CONSTITUTE A REFORMED TRADING SYSTEM. SINCE THE COMMUNITY ALREADY AGREED TO THIS LANGUAGE IN THE DECLARATION IT IS SURPRISING AND TROUBLESOME THAT THE COMMISSION COULD NOT USE THE SAME LANGUAGE IN ITS PROPOSALS.

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PAGE 03 STATE 090897

B. IT IS ALSO TROUBLESOME THAT THE COMMISSION APPEARS TO RULE OUT DUTY ELIMINATION AS " UNREALISTIC." THIS THOUGHT IS ENTIRELY NONESSENTIAL TO THE THRUST OF THE MANDATE, BUT WILL CREATE PROBLEMS FOR OUR EFFORTS TO GAIN MAXIMUM FLEXIBILITY IN OUR TARIFF CUTTING AUTHORITY. MOREOVER, IF IT IS " REALISTIC" VIS- A- VIS EFTA AND WITHIN THE ENLARGED COMMUNITY, DESPITE THE EXISTENCE OF QUALIFYING CIRCUMSTANCES OF THE TYPE NOTED IN THE MANDATE, WHY SHOULD IT BE RULED OUT FOR ALL OTHER COUNTRIES? WE AGREE THAT ELIMINATION OF DUTIES ON CERTAIN PRODUCTS SHOULD NOT BE EXCLUDED. BUT WE BELIEVE IT IS NECESSARY TO HAVE THE AUTHORITY TO ELIMINATE DUTIES ENTIRELY EVEN IF ULTIMATELY THAT AUTHORITY IS USED ONLY IN A LIMITED WAY.

C. THE OTHER TARIFF PROVISOS CREATE SOME DIFFICULTIES, PARTICULARLY BY STRESSING HARMONIZATION (I. E. ELIMINATION OF TARIFF PEAKS AND TROUGHS) VIRTUALLY TO THE EXCLUSION OF OTHER TECHNIQUES. HARMONIZATION WILL BE MOST DIFFICULT EVEN TO CONTEMPLATE OTHER THAN IN THE CONTEXT OF SUBSTANTIAL OVERALL TARIFF REDUCTIONS BY ALL NATIONS. MOREOVER IN CONTRAST TO THE COMMISSIONS' PROPOSALS, WE WONDER WHETHER, AT THIS JUNCTURE, HARMONIZATION COULD NOT BETTER BE STUDIED IN THE CONTEXT OF SPECIFIC SECTOR DISCUSSIONS WHICH WOULD DEAL NOT ONLY WITH TARIFFS BUT ALSO NTB'S AND OTHER POSSIBLE MEASURES AFFECTING TRADE IN PARTICULAR SECTORS. THE ARGUMENT FOR A FLOOR TO TARIFFS IS UNHELPFUL, IN THAT, IF PRESSED, IT WILL MAKE FAR MORE DIFFICULT OUR EFFORTS TO GAIN FLEXIBLE NEGOTIATING AUTHORITY FROM CONGRESS.

D. WE AGREE IT IS DESIRABLE TO CONCENTRATE ON HIGH PRIORITY PROBLEMS FIRST, BUT WE DO WANT TO COVER MOST OUTSTANDING NTB PROBLEMS DURING THE COURSE OF NEGOTIATIONS AND WHERE SPECIFIC SOLUTIONS CAN NOT BE REACHED. TRY TO REACH AN AGREEMENT ON MORE GENERAL RULES GOVERNING NON-TARIFF MEASURES AS SUCH. FINALLY, WHILE OUR EXCEPTIONS LIMITED OFFICIAL USE  
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PAGE 04 STATE 090897

UNDER THE PROTOCOL OF PROVISIONAL APPLICATION OF GATT ARE NEGOTIABLE, WE WOULD CONSIDER CHANGING THEM ONLY THROUGH NEGOTIATION, AND CERTAINLY NOT UNILATERALLY.

E. IN AGRICULTURE, AS WAS MADE EVIDENT IN THE LANGUAGE OF THE FEBRUARY 1972 US- EC DECLARATION, WE ARE HIGHLY SKEPTICAL THAT COMMODITY AGREEMENTS OFFER A USEFUL APPROACH TO TRADE LIBERALIZATION. WHILE THE COMMISSION STATES THAT THE EC SHOULD " PROPOSE" SUCH MEASURES IT DOES NOT EXCLUDE OTHER APPROACHES. IN OUR VIEW IT IS ESSENTIAL THAT OTHER APPROACHES NOT BE EXCLUDED.

F. THE COMMISSION PROPOSALS ON SAFEGUARDS APPEAR TO MAKE IT POSSIBLE FOR THE EC TO ACCEPT THE REY GROUP REPORT AS A POINT OF DEPARTURE FOR PRELIMINARY DISCUSSIONS. WE TOO CAN ACCEPT THAT REPORT AS A POINT OF DEPARTURE PROVIDED IT IS RECOGNIZED THAT THERE MAY BE ELEMENTS IN THE REPORT THAT WE CANNOT ACCEPT. OUR APPROACH TO THE QUESTION WILL DEPEND ULTIMATELY IN PART ON THE OUTLINE OF OUR TRADE LEGISLATION, WHOSE SAFEGUARD SECTION SHOULD BE COMPATIBLE WITH ANY INTERNATIONAL SYSTEM TO BE WORKED OUT.

G. IT IS TROUBLESOME THAT THE COMMISSION PLACES SUCH EMPHASIS ON THE REQUIREMENT OF AVOIDING JEOPARDIZING THE

PRESENT ADVANTAGES ENJOYED BY LDC'S WHO HAVE SPECIAL RELATIONS WITH THE EC. WE HOPE THE MANDATE WILL NOT HIGH-LIGHT THIS ASPECT. WE WILL PREPARE COMMENTS SUBSEQUENTLY ON THE COMMISSION'S PROPOSALS FOR NEW PREFERENCE AGREEMENTS WITH THE ASSOCIATES AND OTHERS. WE DO NOT WANT TO ENCOURAGE ANY IDEA THAT THE PREFERENCE MARGINS FOR LDC'S SHOULD BE PERMANENTLY PROTECTED. THIS TYPE OF THINKING MAY SUPPORT CONCLUSION RELATED TO A FLOOR ON TARIFFS WHICH CREATE PROBLEMS CITED IN C ABOVE.

2. WE BELIEVE SOAMES' PRESENTATION OF THE COMMISSION'S PROPOSALS TO THE COUNCIL WAS POSITIVE AND CONSTRUCTIVE IN TONE. EC REACTION TO THE US TRADE BILL HAS BEEN GENERALLY POSITIVE AND WE DO NOT WANT TO DISTURB THAT BY A HARSH DEBATE ON THE RELATIVE MERITS OF THE EC MANDATE AND THE US LEGISLATION.

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PAGE 05 STATE 090897

3. OUR GENERAL LINE WITH COMMISSION OFFICIALS AND MORE RECENTLY DURING THE ANDREOTTI AND BRANDT VISITS HAS BEEN

THAT WE HOPE THE EC MANDATE WILL BE BRIEF, GENERAL AND FLEXIBLE AS POSSIBLE. POSTS SHOULD FOLLOW THIS LINE, DRAWING ON POINTS A- G ABOVE AND THOSE IN REF B IF THE OPPORTUNITY ARISES IN DISCUSSIONS WITH OFFICIALS WHO ARE SYMPATHETIC TO OUR CONCERNS. YOU SHOULD ADAPT COMMENTS TO LOCAL CIRCUMSTANCES. POSTS SHOULD REPORT ANY DEVELOPMENTS AND HOST COUNTRY VIEWS ON EC MANDATE. ROGERS

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BONN  
THE HAGUE  
LUXEMBOURG  
ROME  
PARIS  
BRUSSELS

LONDON  
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